EXTENDICARE®

... helping people live better

MANAGEMENT'S DISCUSSION AND ANALYSIS

Q1 2020

Extendicare Inc.
Dated: May 14, 2020

Management's Discussion and Analysis

Three months ended March 31, 2020
Dated: May 14, 2020

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BASIS OF PRESENTATION

This Management's Discussion and Analysis (MD&A) provides information on Extendicare Inc. and its subsidiaries, and unless the context otherwise requires, references to "Extendicare", the "Company", "we", "us" and "our" or similar terms refer to Extendicare Inc., either alone or together with its subsidiaries. The Company's common shares (the "Common Shares") are listed on the Toronto Stock Exchange (TSX) under the symbol "EXE". The registered office of Extendicare is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada, L3R 9W2.

The Company and its predecessors have been in operation since 1968 and is one of the largest private-sector owner/operators of long-term care (LTC) homes in Canada and the largest private-sector provider of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. (ParaMed). In addition, the Company owns and operates retirement communities in secondary markets under the Esprit Lifestyle Communities brand. As well, the Company provides business-to-business services through its Extendicare Assist division (contract and consulting) and SGP Purchasing Partner Network (SGP) division (group purchasing). The Company's qualified and highly trained workforce of approximately 22,000 individuals is passionate about providing high quality services to help people live better.

The Company has prepared this MD&A to provide information to current and prospective investors of the Company to assist them to understand the Company's financial results for the three months ended March 31, 2020. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, and the notes thereto, together with the annual MD&A and the audited consolidated financial statements for the year ended 2019, and the notes thereto, prepared in accordance with International Financial Reporting Standards (IFRS), found in the Company's 2019 Annual Report. The accompanying unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, including the notes thereto, have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board (IASB).

In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyze the financial results that do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and, therefore, may not be comparable to similar performance measures and indicators used by other issuers. Please refer to the "Key Performance Indicators" and "Non-GAAP Measures" sections of this MD&A for details.

The annual and interim MD&A, financial statements and notes thereto are available on the Company's website at www.extendicare.com. All currencies are in Canadian dollars unless otherwise indicated. Except as otherwise specified, references to years indicate the fiscal year ended December 31, 2019, or December 31 of the year referenced.

This MD&A is dated as of May 14, 2020, the date this report was approved by the Company's board of directors (the "Board of Directors" or "Board"), and is based upon information available to management as of that date. This MD&A should not be considered all-inclusive, as it does not include all changes that may occur in general economic, political and environmental conditions. Additionally, other events may or may not occur, which could affect the Company in the future.

ADDITIONAL INFORMATION

Additional information about the Company, including its latest Annual Information Form, may be found on SEDAR's website at www.sedar.com under the Company's issuer profile and on the Company's website at www.extendicare.com.

FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information"). Statements other than statements of historical fact contained in this Quarterly Report may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company, including, without limitation: statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition; statements relating to the expected annual revenue, net operating income yield (NOI Yield) and adjusted funds from operations (AFFO) to be derived from development projects; statements relating to indemnification provisions in respect of disposed operations; and in particular statements in respect of the impact of measures taken to mitigate the impact of COVID-19, the availability of various government programs and financial assistance announced in respect of COVID-19, the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels (primarily in its retirement communities) and volumes in its home health care business, the impact on the capital and credit markets and the Company's ability to access the credit markets as a result of COVID-19, and increased litigation and regulatory exposure. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties.

Although forward-looking statements are based upon estimates and assumptions that the Company believes are reasonable based upon information currently available, these statements are not representations or guarantees of future results, performance or achievements of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies. In addition to the assumptions and other factors referred to specifically in connection with these forward-looking statements, the risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements, include, without limitation, the following: the occurrence of a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19; changes in the overall health of the economy and changes in government; the ability of the Company to attract and retain qualified personnel; changes in the health care industry in general and the long-term care industry in particular because of political, legal and economic influences; changes in applicable accounting policies; changes in regulations governing the health care and long-term care industries and the compliance by the Company with such regulations; changes in government funding levels for health care services; the ability of the Company to renew its government licenses and customer contracts; changes in labour relations and costs; changes in tax laws; resident care and class action litigation, including the Company's exposure to punitive damage claims, increased insurance costs and other claims; the ability of the Company to maintain and increase resident occupancy levels and business volumes; changes in competition; changes in demographics and local environment economies; changes in foreign exchange and interest rates; changes in the financial markets, which may affect the ability of the Company to refinance debt; and the availability and terms of capital to the Company to fund capital expenditures and acquisitions; changes in the anticipated outcome and benefits of dispositions, acquisitions and development projects, including risks relating to completion; and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR's website at www.sedar.com under the Company's issuer profile.

In particular, risks and uncertainties related to the effects of COVID-19 on Extendicare include: the length, spread and severity of the pandemic; the nature and extent of the measures taken by all levels of governments and public health officials, both short and long term, in response to COVID-19; domestic and global credit and capital markets; the Company's ability to access capital on favourable terms or at all due to the potential for reduced revenue and increased operating expenses as a result of COVID-19; litigation and/or regulatory action being commenced against the Company, regardless of merit; the health and safety of the Company's employees and its residents and clients; and domestic and global supply chains, particularly in respect of personal protective equipment (PPE). Given the evolving circumstances surrounding COVID-19, it is difficult to predict how significant the adverse impact will be on the global and domestic economy and the business operations and financial position of Extendicare.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this Quarterly Report are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. The forward-looking statements speak only as of the date of this Quarterly Report. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

BUSINESS STRATEGY

Our vision is to be the leading provider of care and services to seniors in Canada. We strive to provide quality, person-centred care through compassionate caregivers across the continuum of care – offering the services seniors need wherever they need it as they age and their care needs change – and to be an employer of choice in the communities in which we operate.

Our long-term care business provides high quality care in the homes we own and operate across the country. Capital investment is focused on redeveloping our older LTC homes in the portfolio; the timing and extent of such redevelopment depends primarily upon the government funding available and general development factors, such as construction costs. We also provide contract services and consulting to a growing list of third-party LTC homes and retirement communities through our Extendicare Assist division. Both our operations and those of our Extendicare Assist clients are supported by our SGP Purchasing Partner Network division. We intend to continue to grow our third-party services offerings to gain market share and capitalize on the organic growth in the Canadian seniors care market.

Our core long-term care services are complemented by a market leading home health care platform operating under the ParaMed brand. Demand for home care is growing in tandem with the aging of the population, trending at an average market growth of 4% per year, according to Statistics Canada. Strategic investments in systems and processes are designed to enable volume growth in line with the market, while improving efficiency and resulting profitability.

Our private-pay retirement business operates under the Esprit Lifestyle Communities brand. We continue to grow Esprit through new developments and expansions in secondary markets where supply and demand dynamics are favourable.

We are continually enhancing our operations to provide excellent care to the growing number of Canadian seniors. These enhancements broaden the range of services available to seniors, while driving improved profitability and greater diversification for the Company. We believe that the effective execution of this strategy will provide an appropriate and consistent return to our shareholders who have demonstrated their belief in our mission by investing in the Company.

SIGNIFICANT EVENTS

Impact of COVID-19 Pandemic

Since the beginning of the year, various levels of governments in Canada have enacted emergency protection measures designed to combat the spread of COVID-19. These measures include the implementation of travel bans, self-imposed quarantine periods, and social distancing, and a number of changes in the regulatory regimes in which our businesses operate, particularly in respect of health and labour requirements. We are working very closely with all levels of government, health authorities, our industry partners and advocacy groups on various initiatives to help ensure our collective response to the crisis is focused on the protection and care of our residents, clients and staff as we adapt our services and operations to address COVID-19.

As of today, of our 69 long-term care homes and retirement communities, 13 long-term care homes and two retirement communities have one or more positive cases of COVID-19, with a majority of these outbreaks limited to less than 10 residents and/or staff. In addition, five long-term care homes previously in outbreak have been declared clear of the virus by public health. We are also working with our Extendicare Assist clients to help them manage any outbreaks in their homes.

The various actions required to combat COVID-19 have led to increased costs, primarily in respect of PPE and labour, as self-isolation and single-site employer directives and the availability of the Federal Government’s Canada Emergency Relief Benefit have impacted our staffing capacity. In addition, the Federal Government and the provinces in which we operate have all announced various programs and financial assistance to address these increased costs and other challenges, and we continue to assess the eligibility for and impact of these programs to mitigate the financial impacts of COVID-19.

Since the COVID-19 outbreak, our long-term care home occupancy has remained above 97% for the majority of our long-term care homes and full funding for homes in Ontario is preserved when homes are closed to admissions related to an outbreak and similar protocols are expected to be followed in other provinces. Our retirement communities have experienced a decline in occupancy as move-ins and tours have been impacted by COVID-19. The cancellation of all elective procedures in acute care hospitals, the impact of social distancing and self-isolation, restrictions on non-urgent care services and reductions in our workforce capacity, have resulted in a significant drop in our average daily volumes and increased the workload of the back-office staff in our home health care operations, primarily to manage suspended services and staff scheduling changes due to the impact of COVID-19.

We continue to evaluate the financial impacts of COVID-19, including, the various relief measures announced by the various levels of government. We have taken steps to improve our liquidity, including securing additional mortgage financings and deferring non-essential capital expenditures. In addition, the Company is deferring its plans for a 59-suite expansion of the Company's 63-suite Empire Crossing Retirement Community in Port Hope, Ontario until such time as societal and financial conditions are more favourable.

We believe that the financial impacts of COVID-19 that we are experiencing will reverse as we emerge from the pandemic. However, due to the uncertainty of its duration and magnitude, as well as the governments' response to it, it is currently not possible to reliably estimate the impacts to the Company's business, operating results and financial condition. The impacts could be adverse and material.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (the "DRIP") pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares at a 3% discount. In March 2020, the Company announced the suspension of the DRIP in respect of any future declared dividends until further notice, as the Company believes it is in the best interests of the Company and its shareholders to not issue shares at current prices. Accordingly, the dividend paid on April 15, 2020 to shareholders of record on March 31, 2020, was the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Subsequent dividends will be paid only in cash.

Financing Activity

On March 26, 2020, the Company extended maturing mortgages of $21.7 million on certain long-term care homes. These extended mortgages mature in April 2025 with a fixed rate of 3.49% per annum.

On April 15, 2020, the Company secured a Canadian Mortgage and Housing Corporation (CMHC) insured mortgage of $47.8 million, inclusive of fees, on the Douglas Crossing Retirement Community in Uxbridge, Ontario. The mortgage matures in June 2030 and has a fixed rate of 2.19% per annum. The previously existing construction loan of $25.8 million was repaid on closing.

On May 8, 2020, the Company secured mortgages of $10.3 million, inclusive of fees, on the Yorkton Crossing Retirement Community in Yorkton, Saskatchewan and West Park Crossing Retirement Community in Moose Jaw, Saskatchewan. The mortgages mature in May 2023 and have a variable interest rate at either the Canadian Dollar Offered Rate plus 2.50% per annum or Prime plus 1.00% per annum.

ParaMed Transformation

Since the latter half of 2017, ParaMed has experienced declines in business volumes due largely to challenges in the Ontario operations as a result of legacy information technology systems and processes that led to scheduling inefficiencies. This, coupled with competition for personal support workers (PSWs) and nurses, has prevented us from accepting growing client referrals. To address these issues we have been investing over $12.0 million to transform ParaMed's business (the "ParaMed Transformation") which includes the implementation of a new cloud-based system to optimize scheduling and automate work processes, in an effort to increase workforce capacity, reduce staff turnover and in turn improve our business volumes.

To date we have incurred $11.6 million of the estimated project costs and have converted 95% of our business volumes onto the new cloud-based platform. Due to the impact of COVID-19, we made the decision to defer the roll-out of the new platform in Alberta, which represents approximately 5% of our business volumes, until business conditions are optimal to complete the work. It is anticipated that the new system, coupled with the ongoing training and optimization of the new platform, will drive volume increases as we emerge from the impacts of COVID-19.

The following table summarizes the costs incurred in respect of the ParaMed Transformation, which total $11.6 million, including the ongoing costs of the three legacy systems to be decommissioned once the new system is implemented in all ParaMed offices. For the three months ended March 31, 2020, Adjusted EBITDA was impacted by $0.8 million ($0.8 million at the NOI level), as compared to $1.7 million ($0.7 million at the NOI level) for the three months ended March 31, 2019.

ParaMed Transformation Costs	**Three months ended March 31**		**Years ended December 31**		
(millions of dollars)	**2020**	**2019**	**2019**	**2018**	**2017**
Operating expenses [(1)]	**0.8**	0.7	**2.3**	2.3	1.6
Administrative costs	**–**	1.0	**3.6**	1.0	–
Adjusted EBITDA	**0.8**	1.7	**5.9**	3.3	1.6

(1) The operating expenses reflect the impact on net operating income.

ParaMed B.C. Contract Expiration

As previously announced in March 2019, the Company received notice from the regional health authorities with whom it had contracts in British Columbia (B.C.) that they would be bringing their home support services in-house, and as a result, would not be renewing contracts with private sector home support agencies, including ParaMed. As a result, ParaMed ceased providing services to the B.C. health authorities at the end of January 2020 (the “ParaMed B.C. Contract Expiration”). In connection with the expiration of the contracts, the Company recorded a charge of $1.4 million in the three months ended March 31, 2019, primarily for facilities related costs.

For the three months ended March 31, 2020, ParaMed’s B.C. operations contributed revenue of $3.0 million and net operating income of less than $0.1 million, as compared to revenue of $11.6 million and a net operating loss of $0.3 million for the three months ended March 31, 2019. During 2019, the B.C. operations represented approximately 12% of ParaMed’s annual business volumes, generated $50.7 million of revenue, incurred a net operating loss of $0.3 million, and incurred lease costs of approximately $0.4 million.

BUSINESS OVERVIEW

As at March 31, 2020, the Company owned and operated 58 LTC homes and 11 retirement living communities, through its Extendicare and Esprit Lifestyle Communities divisions, respectively, and provided contract services to 53 LTC homes and retirement communities for third parties through Extendicare Assist. In total, Extendicare operated or provided contract services to a network of 122 LTC homes and retirement communities across four provinces in Canada, with capacity for 15,787 residents. The majority of these homes are in Ontario and Alberta, which accounted for approximately 77% and 11% of residents served, respectively.

In addition to providing group purchasing services to the Company’s own operations, SGP supports third-party clients representing approximately 72,900 senior residents across Canada, as at March 31, 2020.

With respect to the Company’s home health care operations, ParaMed delivered approximately 9.2 million hours of home health care services for the trailing twelve months ended March 31, 2020, excluding the B.C. operations, from 34 locations across five provinces (29 in Ontario, 2 in Alberta, 1 in Manitoba, 1 in Nova Scotia and 1 in Quebec). As noted in “Significant Events – Impact of COVID-19 Pandemic”, business volumes have been significantly impacted in ParaMed. While we are unable to predict with any certainty the extent and duration of these COVID-19 related factors on our volumes, we believe that the impacts we are experiencing will reverse as we emerge from the pandemic, particularly as elective health care services suspended as a result of COVID-19 resume.

Operating Segments

The Company reports the following segments within its Canadian operations: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as “other Canadian operations”; and v) the Canadian corporate functions and any intersegment eliminations as “corporate Canada”. For financial reporting purposes, the Company’s owned and operated homes are reported under the “long-term care” or the “retirement living” operating segment based on the predominant level of care provided. The Company’s managed homes are reported under the “other Canadian operations” segment, as the revenue from those operations is earned on a fee-for-service basis.

The Company continues to group its remaining U.S. operations as one segment, consisting of its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the “Captive”) that insured the Company’s U.S. general and professional liability risks up to the date of the sale of the Company’s U.S. business in 2015 (the “U.S. Sale

Transaction"). The Captive's expense incurred or release of reserves for U.S. self-insured liabilities as well as the disposed U.S. businesses are presented as discontinued operations, while the Captive's costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

The following summarizes the contribution of the business segments to the Company's consolidated revenue and net operating income from total operations, as reported, and from operations excluding the ParaMed B.C. operations for the three months ended March 31, 2020 and 2019.

	Total as Reported				Excluding ParaMed B.C. Operations			
Three months ended March 31		**2020**		**2019**		**2020**		**2019**
Operating Segments as % of:	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**59.0%**	**60.7%**	57.0%	55.4%	**59.6%**	**60.8%**	59.5%	54.9%
Retirement living	**4.4%**	**12.2%**	3.5%	8.5%	**4.5%**	**12.2%**	3.6%	8.4%
Home health care	**34.2%**	**14.2%**	37.4%	24.9%	**33.5%**	**14.1%**	34.7%	25.5%
Other Canadian	**2.4%**	**12.9%**	2.1%	11.2%	**2.4%**	**12.9%**	2.2%	11.2%
Total	**100.0%**	**100.0%**	100.0%	100.0%	**100.0%**	**100.0%**	100.0%	100.0%

The following describes the operating segments of the Company.

LONG-TERM CARE

The Company owns and operates for its own account 58 LTC homes with capacity for 8,137 residents, inclusive of a stand-alone designated supportive living home (140 suites) and a designated supportive living wing (60 suites) in Alberta and two retirement wings (76 suites) in Ontario.

In Canada, provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes and government-funded supportive living homes, including the fee structure, subsidies, the adequacy of physical homes, standards of care and accommodation, equipment and personnel. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a portion to be paid by the resident. No individual is refused access to long-term care due to an inability to pay, as a government subsidy, generally based on an income test, is available for residents who are unable to afford the resident co-payment. In Alberta, designated supportive living homes provide an alternative setting for residents not yet requiring the needs of a more expensive LTC home. Such homes are licensed, regulated and funded by Alberta Health Services (AHS) in a similar manner to LTC homes, including a government-determined fee structure.

In Ontario, long-term care operators have the opportunity to receive additional funding through higher accommodation rates charged to residents for private and semi-private accommodation, at maximum preferred accommodation rates that are fixed by the government. Long-term care operators are permitted to designate up to 60% of the resident capacity of a home as preferred accommodation and charge higher accommodation rates that vary according to the structural classification of the LTC home.

RETIREMENT LIVING

Under the Esprit Lifestyle Communities brand, the Company owns and operates 11 retirement communities with 1,049 suites. Four of these communities (341 suites) are located in Saskatchewan and seven communities (708 suites) are located in Ontario.

The Company's retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. The monthly fees vary depending on the type of accommodation, level of care and services chosen by the resident and the location of the retirement community. Residents are able to choose the living arrangements best suited to their personal preference and needs, as well as the level of care and support they receive as their needs evolve over time.

HOME HEALTH CARE

The Company provides home health care services through ParaMed, whose professionals and staff members are skilled in providing complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients of all ages living at home.

Provincial governments fund a wide range of home health care services and contract these services to providers such as ParaMed. ParaMed receives approximately 98% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

OTHER CANADIAN OPERATIONS

The Company's leverages its size, scale and operational expertise in the senior care industry to provide contract services and consulting to third-parties through other Canadian operations, which are composed of its Extendicare Assist and SGP divisions.

Contract Services and Consulting

Through its Extendicare Assist division, the Company provides a wide range of contract services and consulting to third parties. Extendicare Assist partners with not-for-profit and for-profit organizations, hospitals and municipalities seeking to improve their management practices, quality of care practices and operating efficiencies. Extendicare Assist provides a broad range of services aimed at meeting the needs of its partners, including: financial administration, record keeping, regulatory compliance and purchasing. In addition, Extendicare Assist provides consulting services to third parties for the development and redevelopment of LTC homes. Extendicare Assist's contract services portfolio consisted of 53 LTC homes and retirement communities with capacity for 6,601 residents as at March 31, 2020.

Group Purchasing Services

Through its SGP division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies and office products. SGP negotiates long-term, high volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective means to secure quality national brand-name products, along with a range of innovative services. As at March 31, 2020, SGP provided services to third parties representing approximately 72,900 senior residents across Canada.

U.S. REMAINING OPERATIONS – CAPTIVE INSURANCE COMPANY

Prior to the U.S. Sale Transaction, the Company self-insured certain risks related to general and professional liability of its disposed U.S. operations through the Captive. The obligation to settle such claims relating to the period prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with the Company, which continues to be funded through the Captive. The majority of the risks that the Company self-insured relating to the U.S. operations are long-term in nature, and accordingly, claim payments for any particular policy year can occur over a number of years. Any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations, while the costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment. Management is considering accelerating the settlement and wind-up of the Captive in order to eliminate or reduce the self-insured general and professional liabilities and thereby repatriate the balance of the investments in the Captive.

KEY PERFORMANCE INDICATORS

In addition to those measures identified under "Non-GAAP Measures", management uses certain key performance indicators in order to compare the financial performance of the Company's continuing operations between periods. In addition, we assess the operations on a same-store basis between the reported periods. Such performance indicators may not be comparable to similar indicators presented by other companies. Set forth below is an analysis of the key performance indicators and a discussion of significant trends when comparing the Company's financial results from continuing operations.

The following is a glossary of terms for some of the Company's key performance indicators:

"Occupancy" is measured as the percentage of the number of earned resident days (or the number of occupied suites in the case of a retirement community) relative to the total available resident days. Total available resident days is the number of beds (or suites in the case of a retirement community) available for occupancy multiplied by the number of days in the period;

"Stabilized" is the classification by the Company of an LTC home or retirement community that has achieved and sustained its expected stabilized occupancy level for three consecutive months, which level varies from project to project;

"Lease-up" is any LTC home or retirement community not classified as stabilized;

"Non same-store" or "NSS" generally refers to those homes, communities or businesses that were not continuously operated by the Company since the beginning of the previous fiscal year or have been classified as held for sale; and

“Same-store” or “SS” generally refers to those homes, communities or businesses that were continuously operated by the Company since the beginning of the previous fiscal year, and which are not classified as held for sale.

Long-term Care

The following table provides the average occupancy levels of the LTC operations for the past eight quarters.

Long-term Care Homes	**2020**				**2019**			**2018**
Average Occupancy *(%)*	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total LTC	**97.0%**	97.8%	97.9%	97.5%	96.9%	97.6%	97.8%	97.2%
Change over prior year period	**10 bps**	20 bps	10 bps	30 bps	50 bps			
Sequential quarterly change	**(80) bps**	(10) bps	40 bps	60 bps	(70) bps			
Ontario LTC								
Total ON LTC	**97.6%**	98.2%	98.5%	98.2%	97.5%	98.2%	98.3%	97.7%
Preferred Accommodation (1)								
“New” homes – private	**95.4%**	95.8%	95.9%	96.3%	95.1%	96.6%	97.6%	96.7%
“C” homes – private	**92.8%**	93.1%	94.2%	93.8%	96.2%	97.6%	97.8%	97.3%
“C” homes – semi-private	**66.3%**	66.7%	66.5%	65.6%	65.3%	66.1%	66.5%	65.7%

(1) Average occupancy reported for the available private and semi-private rooms reflects the percentage of residents occupying those beds and paying the respective premium rates.

The average occupancy at the Company’s LTC homes was 97.0% for the first quarter of 2020, up slightly from the first quarter of 2019. In comparison to the fourth quarter of 2019, average occupancy declined this quarter by 80 bps. In terms of the quarterly trends throughout the year, slightly lower occupancy levels are to be expected during the winter months as a result of outbreaks, which can lead to a temporary freeze on admissions. However, occupancy levels for the first quarter of 2020 have been further impacted by COVID-19.

In Ontario, overall government funding is occupancy-based, but once the average occupancy level of 97% or higher for the calendar year is achieved, operators receive government funding based on 100% occupancy. In the event of closure to admissions related to an outbreak, full funding is preserved in Ontario and we expect similar protocols to be followed in other provinces. In 2019, the Company’s LTC homes in Ontario achieved an overall average occupancy of 98.1%, with all but one home achieving the 97% occupancy threshold.

Retirement Living

The following table summarizes the composition of the Company’s 11 retirement communities in operation as at March 31, 2020. The Barrieview opened in October 2019 and is classified as non same-store and in lease-up. Bolton Mills, which opened at the beginning of 2019, and West Park Crossing remain classified as lease-up.

Retirement Communities	**Location**	**Total**	**Stabilized**	**Lease-up**	**Same-store**	**Non Same-store**
Cedar Crossing	Simcoe, ON	68	68		68	
Douglas Crossing	Uxbridge, ON	148	148		148	
Empire Crossing	Port Hope, ON	63	63		63	
Harvest Crossing	Tillsonburg, ON	100	100		100	
Riverbend Crossing	Regina, SK	67	67		67	
Stonebridge Crossing	Saskatoon, SK	116	116		116	
Yorkton Crossing	Yorkton, SK	79	79		79	
Lynde Creek Manor	Whitby, ON	93	93		93	
West Park Crossing	Moose Jaw, SK	79		79	79	
The Barrieview	Barrie, ON	124		124		124
Bolton Mills	Bolton, ON	112		112	112	
Total suites		**1,049**	**734**	**315**	**925**	**124**
Total communities		**11**	**8**	**3**	**10**	**1**

AS AT OCCUPANCY

The following table provides the period end occupancy of the retirement communities in total and for each of the stabilized, lease-up, same-store and non same-store groupings for the past eight quarters, with the prior period information for such groupings restated based on the classifications as at March 31, 2020.

The improvement in total occupancy levels at March 31, 2020 from March 31, 2019, reflects the lease-up of Bolton Mills, Douglas Crossing, Yorkton Crossing and West Park Crossing, partially offset by the negative impact of COVID-19 on occupancy experienced in the latter part of the first quarter of 2020.

The stabilized occupancy levels experienced a sequential decline from December 31, 2019, which is generally to be expected during the winter months; however, occupancy levels were further impacted in the first quarter of 2020 by COVID-19, which has temporarily restricted move-ins and tours of prospective residents.

Other factors impacting the trends over the past eight quarters were the completion in November 2018 of the 45-suite addition at Douglas Crossing that resulted in a sequential decline in total and stabilized occupancy levels at the end of 2018; the opening at the beginning of 2019 of Bolton Mills (112 suites) that resulted in a sequential decline in total and lease-up occupancy levels at the end of the first quarter of 2019; and the opening of The Barrieview (124 suites) in October 2019 that resulted in a sequential decline in total occupancy at the end of the fourth quarter of 2019.

Retirement Living Communities	**2020**				**2019**			**2018**
As at Occupancy *(%)*	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total communities	**86.0%**	85.6%	86.6%	83.8%	80.9%	88.6%	89.5%	86.0%
Change over prior year period	**510 bps**	(300) bps	(290) bps	(220) bps	10 bps			
Sequential quarterly change	**40 bps**	(100) bps	280 bps	290 bps	(770) bps			
Stabilized communities	**92.8%**	95.1%	94.1%	92.5%	91.0%	89.8%	91.6%	88.7%
Change over prior year period	**180 bps**	530 bps	250 bps	380 bps	780 bps			
Sequential quarterly change	**(230) bps**	100 bps	160 bps	150 bps	120 bps			
Lease-up communities	**70.2%**	63.5%	57.6%	50.3%	41.9%	77.2%	70.9%	62.0%
SS communities	**86.2%**	88.0%	86.6%	83.8%	80.9%	88.6%	89.5%	86.0%
NSS communities	**84.7%**	67.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

AVERAGE OCCUPANCY

The following table provides the average occupancy of the retirement communities in total and for each of the same-store, non same-store, stabilized and lease-up groupings for the past eight quarters, with the prior period information for such groupings restated based on the classifications as at March 31, 2020. The same factors discussed above under “As at Occupancy” contributed to the variances in average occupancy.

Retirement Living Communities	**2020**				**2019**			**2018**
Average Occupancy *(%)*	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total communities	**85.7%**	81.7%	85.5%	82.0%	79.3%	88.4%	87.9%	84.4%
Change over prior year period	**630 bps**	(680) bps	(240) bps	(250) bps	(110) bps			
Sequential quarterly change	**400 bps**	(380) bps	350 bps	260 bps	(910) bps			
Stabilized communities	**93.5%**	94.9%	94.0%	91.4%	90.7%	89.8%	90.1%	87.1%
Change over prior year period	**280 bps**	510 bps	390 bps	430 bps	810 bps			
Sequential quarterly change	**(140) bps**	90 bps	260 bps	70 bps	90 bps			
Lease-up communities	**67.5%**	50.7%	52.7%	45.8%	35.7%	76.1%	69.0%	61.5%
SS communities	**86.7%**	87.0%	85.5%	82.0%	79.3%	88.4%	87.9%	84.4%
NSS communities	**77.9%**	41.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Home Health Care

The table set out below provides the service volumes of the Company’s home health care operations in total and on a same-store basis (i.e., excluding the B.C. operations that ceased in January 2020) for the past eight quarters. The following discussion of the variances in services volumes excludes those of the B.C. operations.

Since the latter half of 2017, ParaMed has experienced declines in business volumes due largely to challenges in the Ontario operations as a result of legacy information technology systems and processes, coupled with competition for PSWs and nurses. The implementation of the new cloud-based system to assist in addressing these issues was conducted in stages and completed across all provinces, other than Alberta, by the end of January 2020. However, as of May 10, 2020, ParaMed has experienced a decline in average daily volumes of 22.5% since March 15, 2020, as a result of the impact of COVID-19. The drop contributed to an overall volume decline for the first quarter of 2020 of 3.1% as compared to the first quarter of 2019 and 2.5% as compared to the fourth quarter of 2019 (refer to the discussions under “Significant Events – Impact of COVID-19 Pandemic” and “Significant Events – ParaMed Transformation”).

Home Health Care	**2020**				**2019**			**2018**
Service Volumes	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total operations								
Hours of service *(000’s)*	**2,319.5**	2,661.2	2,652.7	2,660.5	2,595.3	2,750.0	2,708.6	2,734.8
Hours per day	**25,490**	28,926	28,834	29,236	28,837	29,891	29,441	30,053
Change over prior year period	**(11.6)%**	(3.2)%	(2.1)%	(2.7)%	(4.1)%			
Sequential quarterly change	**(11.9)%**	0.3%	(1.4)%	1.4%	(3.5)%			
Excluding B.C.								
Hours of service *(000’s)*	**2,246.1**	2,329.2	2,322.5	2,340.0	2,291.9	2,441.6	2,402.0	2,430.1
Hours per day	**24,683**	25,318	25,245	25,714	25,465	26,539	26,108	26,704
Change over prior year period	**(3.1)%**	(4.6)%	(3.3)%	(3.7)%	(4.8)%			
Sequential quarterly change	**(2.5)%**	0.3%	(1.8)%	1.0%	(4.0)%			

Other Canadian Operations

The following table provides information in respect of the third-party clients receiving services from Extendicare Assist and SGP at the end of each period for the past eight quarters. At March 31, 2020, Extendicare Assist was providing contract services to third-parties representing 53 LTC homes and retirement communities with capacity for 6,601 senior residents, a reduction of one home since the end of the first quarter of 2019. SGP continues to grow its market share, increasing its third-party residents served by 27.8% at March 31, 2020 over March 31, 2019, and by 12.5% since the beginning of the year.

	2020				**2019**			**2018**
Other Canadian Operations	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Extendicare Assist Contract Services								
Homes at period end	**53**	53	53	53	54	53	53	53
Resident capacity	**6,601**	6,601	6,601	6,601	6,661	6,497	6,632	6,632
Change over prior year period	**(0.9)%**	1.6%	(0.5)%	(0.5)%	0.4%			
Sequential quarterly change	**0.0%**	0.0%	0.0%	(0.9)%	2.5%			
SGP Clients								
Third-party client senior residents	**72,886**	64,762	64,261	58,673	57,050	51,071	50,961	50,332
Change over prior year period	**27.8%**	26.8%	26.1%	16.6%	24.8%			
Sequential quarterly change	**12.5%**	0.8%	9.5%	2.8%	11.7%			

SELECT QUARTERLY FINANCIAL INFORMATION

The following is a summary of select quarterly financial information for the past eight quarters.

	2020				2019			2018
(thousands of dollars unless otherwise noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	**271,818**	290,895	282,733	284,053	274,269	288,793	280,302	279,488
Net operating income	**30,383**	32,877	34,867	35,320	30,386	32,863	35,492	36,307
NOI margin	***11.2%***	*11.3%*	*12.3%*	*12.4%*	*11.1%*	*11.4%*	*12.7%*	*13.0%*
Adjusted EBITDA	**19,900**	22,998	23,588	24,973	19,552	22,538	24,393	27,330
Adjusted EBITDA margin	***7.3%***	*7.9%*	*8.3%*	*8.8%*	*7.1%*	*7.8%*	*8.7%*	*9.8%*
Earnings (loss) from continuing operations	**1,871**	4,893	5,247	5,854	1,057	(9,055)	7,598	5,975
per basic and diluted share *($)*	**0.02**	0.05	0.06	0.07	0.01	(0.10)	0.08	0.07
Earnings from discontinued operations	**4,035**	5,195	2,012	2,471	1,901	15,562	975	5,852
Net earnings	**5,906**	10,088	7,259	8,325	2,958	6,507	8,573	11,827
per basic and diluted share *($)*	**0.07**	0.11	0.08	0.10	0.03	0.07	0.10	0.14
AFFO	**11,630**	11,365	13,693	14,927	12,615	12,570	13,379	17,133
per basic share *($)*	**0.130**	0.127	0.153	0.168	0.142	0.142	0.151	0.194
Maintenance Capex	**1,756**	6,028	3,056	2,312	916	4,202	3,639	3,783
Cash dividends declared	**10,731**	10,701	10,680	10,657	10,634	10,612	10,591	10,570
per share *($)*	**0.120**	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Weighted Average Number of Shares								
Basic	**89,644**	89,467	89,253	89,039	88,825	88,612	88,412	88,208
Diluted	**100,023**	99,850	99,614	99,415	99,186	98,962	98,788	98,595

The following is a reconciliation of "earnings (loss) from continuing operations before income taxes" to Adjusted EBITDA and "net operating income".

	2020				2019			2018
(thousands of dollars)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Earnings (loss) from continuing operations before income taxes	**2,237**	6,878	7,488	8,057	1,813	(12,327)	10,135	9,131
Add (Deduct):								
Depreciation and amortization	**9,853**	10,597	9,861	9,705	9,427	10,184	9,014	8,235
Net finance costs	**7,810**	5,523	6,239	6,236	6,883	8,039	5,244	6,591
Other expense	**–**	–	–	975	1,429	16,642	–	3,373
Adjusted EBITDA	**19,900**	22,998	23,588	24,973	19,552	22,538	24,393	27,330
Administrative costs	**10,483**	9,879	11,279	10,347	10,834	10,325	11,099	8,977
Net operating income	**30,383**	32,877	34,867	35,320	30,386	32,863	35,492	36,307

There are a number of factors affecting the trend of the Company's quarterly results from continuing operations. With respect to the core operations, while year-over-year quarterly comparisons will generally remain comparable, sequential quarters can vary materially for seasonal and other trends. The significant factors that impact the results from period to period are as follows:

- Ontario long-term care funding tied to flow-through funding envelopes requires revenue be deferred until it is matched with the related costs for resident care in the periods in which the costs are incurred, resulting in a fluctuation in revenue and operating expenses by quarter, with both generally being at their lowest in the first quarter and at their highest in the fourth quarter;
- Ontario long-term care providers generally receive annual flow-through funding increases and case mix index adjustments effective April 1st and accommodation funding increases effective July 1st, and Alberta long-term care providers generally receive annual inflationary rate increases and acuity-based funding adjustments on April 1st and accommodation funding increases effective July 1st;
- maintenance capex spending, which impacts AFFO, fluctuates on a quarterly basis with the timing of projects and seasonality and is generally at its lowest in the first quarter and its highest in the fourth quarter;
- utility costs are generally at their highest in the first quarter and their lowest in the second and third quarters; and
- certain line items that are reported separately due to their transitional nature that would otherwise distort the comparability of the historical trends, being "other expense" and "foreign exchange and fair value adjustments".

2020 FIRST QUARTER FINANCIAL REVIEW

The following provides a breakdown of the consolidated statement of earnings between the Canadian and remaining U.S. operations.

	Three months ended March 31						
			2020			2019	Total
(thousands of dollars)	Canada	U.S.	Total	Canada	U.S.	Total	Change
Revenue	**271,818**	**–**	**271,818**	274,269	–	274,269	(2,451)
Operating expenses	**241,435**	**–**	**241,435**	243,883	–	243,883	(2,448)
Net operating income	**30,383**	**–**	**30,383**	30,386	–	30,386	(3)
Administrative costs	**10,252**	**231**	**10,483**	10,612	222	10,834	(351)
Adjusted EBITDA	**20,131**	**(231)**	**19,900**	19,774	(222)	19,552	348
Depreciation and amortization	**9,853**	**–**	**9,853**	9,427	–	9,427	426
Other expense	**–**	**–**	**–**	1,429	–	1,429	(1,429)
Earnings (loss) before net finance costs and income taxes	**10,278**	**(231)**	**10,047**	8,918	(222)	8,696	1,351
Interest expense (net of capitalized interest)	**7,041**	**–**	**7,041**	6,882	–	6,882	159
Interest revenue	**(930)**	**–**	**(930)**	(864)	–	(864)	(66)
Accretion	**304**	**–**	**304**	302	234	536	(232)
Foreign exchange and fair value adjustments	**2,260**	**(865)**	**1,395**	1,829	(1,500)	329	1,066
Net finance costs (income)	**8,675**	**(865)**	**7,810**	8,149	(1,266)	6,883	927
Earnings from continuing operations before income taxes	**1,603**	**634**	**2,237**	769	1,044	1,813	424
Income tax expense (recovery)							
Current	**2,073**	**–**	**2,073**	1,524	–	1,524	549
Deferred	**(1,707)**	**–**	**(1,707)**	(768)	–	(768)	(939)
Total income tax expense	**366**	**–**	**366**	756	–	756	(390)
Earnings from continuing operations	**1,237**	**634**	**1,871**	13	1,044	1,057	814
Earnings from discontinued operations	**–**	**4,035**	**4,035**	–	1,901	1,901	2,134
Net earnings	**1,237**	**4,669**	**5,906**	13	2,945	2,958	2,948
Earnings from continuing operations	**1,237**	**634**	**1,871**	13	1,044	1,057	814
Add (Deduct) [(1)]**:**							
Foreign exchange and fair value adjustments	**1,489**	**(865)**	**624**	1,461	(1,500)	(39)	663
Other expense	**–**	**–**	**–**	1,353	–	1,353	(1,353)
Earnings (loss) from continuing operations before separately reported items, net of taxes	**2,726**	**(231)**	**2,495**	2,827	(456)	2,371	124

(1) The separately reported items being added to or deducted from earnings (loss) from continuing operations are net of income taxes, and are non-GAAP measures. Refer to the discussion of non-GAAP measures.

The following provides a reconciliation of "earnings (loss) from continuing operations before income taxes" to "Adjusted EBITDA" and "net operating income".

	Three months ended March 31						
			2020			2019	Total
(thousands of dollars)	Canada	U.S.	Total	Canada	U.S.	Total	Change
Earnings from continuing operations before income taxes	**1,603**	**634**	**2,237**	769	1,044	1,813	424
Add (Deduct):							
Depreciation and amortization	**9,853**	**–**	**9,853**	9,427	–	9,427	426
Net finance costs (income)	**8,675**	**(865)**	**7,810**	8,149	(1,266)	6,883	927
Other expense	**–**	**–**	**–**	1,429	–	1,429	(1,429)
Adjusted EBITDA	**20,131**	**(231)**	**19,900**	19,774	(222)	19,552	348
Administrative costs	**10,252**	**231**	**10,483**	10,612	222	10,834	(351)
Net operating income	**30,383**	**–**	**30,383**	30,386	–	30,386	(3)

The following is an analysis of the consolidated results from operations for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019. Refer to the discussion that follows under "Summary of Results of Operations by Segment" for an analysis of the revenue and net operating income by operating segment.

Revenue

Revenue of $271.8 million for the first quarter of 2020 declined by $2.4 million or 0.9% from the first quarter of 2019. Excluding the ParaMed B.C. operations, revenue increased by $6.1 million or 2.3% to $268.8 million this quarter from $262.7 million in the same prior year period, driven primarily by LTC funding enhancements, including funding related to COVID-19 costs incurred in respect of LTC homes in Ontario, expansion of the retirement living operations, growth in other Canadian operations and the impact of the leap day this year, partially offset by a decline in home health care volumes.

Operating Expenses

Operating expenses decreased by $2.4 million or 1.0% to $241.4 million for the first quarter of 2020. Excluding the ParaMed B.C. operations, operating expenses increased by $6.4 million or 2.8% to $238.5 million this quarter from $232.1 million in the same prior year period. The increase in operating expenses was driven by increased costs of resident care, expansion of the retirement living operations, higher labour costs and increased costs due to COVID-19, partially offset by the impact of lower home health care volumes.

Net Operating Income

Net operating income was unchanged at $30.4 million for the first quarter of 2020 and represented 11.2% of revenue as compared to 11.1% for the first quarter of 2019. Excluding the ParaMed B.C. operations, net operating income declined by $0.3 million to $30.4 million this quarter from $30.7 million in the same prior year period, reflecting funding enhancements, timing of spending under the Ontario flow-through envelopes, growth of the retirement living and other Canadian operations and the impact of the leap day this year, offset by lower volumes and increased back office operating costs in the home health care operations and higher costs due to COVID-19.

Administrative Costs

Administrative costs declined by $0.3 million or 3.2% to $10.5 million for the first quarter of 2020. Excluding the impact of ParaMed Transformation costs of $1.0 million incurred in the same prior year period, administrative costs increased by $0.7 million this quarter, primarily due to higher labour costs associated with increased management and support staff of key back office functions.

Adjusted EBITDA

Adjusted EBITDA increased by $0.3 million to $19.9 million for the first quarter of 2020 as compared to $19.6 million for the first quarter of 2019, and represented 7.3% of revenue as compared to 7.1%, respectively, reflecting flat net operating income and lower administrative costs of $0.3 million, as discussed above.

Depreciation and Amortization

Depreciation and amortization costs increased by $0.5 million to $9.9 million for the first quarter of 2020 due to higher capital expenditures and the impact of the opening of The Barrieview retirement community in October 2019.

Other Expense

Other expense of $1.4 million recorded in the first quarter of 2019 related to costs associated with the ParaMed B.C. Contract Expiration.

Net Finance Costs

Net finance costs increased by $0.9 million for the first quarter of 2020, primarily due to a net unfavourable change in foreign exchange and fair value adjustments related to the Captive's investments and to the Company's interest rate swaps aggregating to $1.1 million and higher net interest costs of $0.1 million, partially offset by lower accretion costs in connection with the decline in the accrual for U.S. self-insured liabilities. Net interest costs were negatively impacted by a reduction in the amount of capitalized interest of $0.2 million.

Income Taxes

The income tax provision was $0.4 million for the first quarter of 2020, representing an effective tax rate of 16.4%, as compared to a provision of $0.8 million and an effective tax rate of 41.7% for the first quarter of 2019. The effective tax rate of the Canadian operations was 22.8% this quarter as compared to 98.3% for the same prior year period, and was impacted by, among other things, foreign exchange and fair value adjustments and other items reported separately as “other expense”, as noted above. The effective tax rate of the Canadian operations, excluding the impact of separately reported items, was 29.4% for the first quarter of 2020 as compared to 29.8% for the first quarter of 2019.

Earnings from Continuing Operations

Earnings from continuing operations of $1.9 million ($0.02 per basic share) for the first quarter of 2020, was up by $0.8 million from $1.1 million ($0.01 per basic share) for the first quarter of 2019, largely impacted by the ParaMed B.C. contract expiration costs recorded in 2019, net of the unfavourable change in foreign exchange and fair value adjustments for the current period.

Summary of Results of Operations by Segment

The following summarizes the Company’s segmented “revenue”, “operating expenses” and “net operating income”, followed by an analysis of the operating performance of each of the Company’s operating segments.

Three months ended March 31 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Canadian Operations**	**Total**
2020					
Revenue	**160,240**	**12,039**	**93,100**	**6,439**	**271,818**
Operating expenses	**141,804**	**8,330**	**88,783**	**2,518**	**241,435**
Net operating income	**18,436**	**3,709**	**4,317**	**3,921**	**30,383**
NOI margin %	***11.5%***	***30.8%***	***4.6%***	***60.9%***	***11.2%***
2019					
Revenue	156,221	9,508	102,665	5,875	274,269
Operating expenses	139,383	6,929	95,112	2,459	243,883
Net operating income	16,838	2,579	7,553	3,416	30,386
NOI margin %	*10.8%*	*27.1%*	*7.4%*	*58.1%*	*11.1%*
Change					
Revenue	4,019	2,531	(9,565)	564	(2,451)
Operating expenses	2,421	1,401	(6,329)	59	(2,448)
Net operating income	1,598	1,130	(3,236)	505	(3)

LONG-TERM CARE OPERATIONS

Revenue from long-term care operations grew by $4.0 million or 2.6% to $160.2 million for the first quarter of 2020, of which approximately $2.2 million was driven by the Ontario flow-through funding envelopes that is directly offset by increased costs of resident care, including funding for COVID-19 of $0.4 million, and the balance from other funding enhancements, including incremental funding of $0.8 million in certain provinces for the leap day in the first quarter of 2020.

Net operating income from the long-term care operations was $18.4 million for the first quarter of 2020 as compared to $16.8 million for the first quarter of 2019, an increase of $1.6 million or 9.5%, with an NOI margin of 11.5% and 10.8%, respectively. Higher net operating income was attributable to funding enhancements, timing of spending under the Ontario flow-through envelopes and the leap day in the first quarter of 2020, partially offset by higher labour, supply and food costs and costs associated with COVID-19 of $0.3 million that have yet to be funded by certain provinces.

RETIREMENT LIVING OPERATIONS

The following table summarizes the breakdown of the same-store and non same-store operating results of the retirement living operations.

Three months ended March 31					**Retirement Living**	
(thousands of dollars unless otherwise noted)	**Same-store**		**Non Same-store**		**Total**	
2020						
Revenue	**10,682**		**1,357**		**12,039**	
Operating expenses	**7,439**		**891**		**8,330**	
Net operating income / margin %	**3,243**	***30.4%***	**466**	***34.3%***	**3,709**	***30.8%***
Average occupancy / weighted average available suites	***86.7%***	***925***	***77.9%***	***124***	***85.7%***	***1,049***
2019						
Revenue	9,508		–		9,508	
Operating expenses	6,839		90		6,929	
Net operating income / margin %	2,669	*28.1%*	(90)		2,579	*27.1%*
Average occupancy / weighted average available suites	*79.3%*	*925*	*0.0%*	*–*	*79.3%*	*925*
Change						
Revenue	1,174		1,357		2,531	
Operating expenses	600		801		1,401	
Net operating income	574	–	556	124	1,130	124

Revenue from retirement living operations grew by $2.5 million or 26.6% to $12.0 million for the first quarter of 2020, of which $1.2 million was due to organic growth from same-store operations, primarily due to lease-up activity, partially offset by the impact of COVID-19 on occupancy levels of the stabilized communities. Revenue from non same-store operations reflects the opening of The Barrieview in October 2019.

Net operating income from the retirement living operations was $3.7 million for the first quarter of 2020 as compared to $2.6 million for the first quarter of 2019, an increase of $1.1 million or 43.8%, reflecting growth in occupancy of same-store operations to 86.7% from 79.3%, and the contribution from The Barrieview.

HOME HEALTH CARE OPERATIONS

ParaMed B.C. operations revenue for the first quarter of 2020 was $3.0 million ($11.6 million for the first quarter 2019) and net operating income of less than $0.1 million for the first quarter of 2020 (net operating loss of $0.3 million for the first quarter 2019). The following discussion of the home health care operations excludes the impact of the B.C. operations (refer to the discussion under “Significant Events – ParaMed B.C. Contract Expiration”).

Revenue from the home health care operations declined by $1.0 million or 1.1% to $90.1 million for the first quarter of 2020, primarily due to a decline in average daily volumes of 3.1%, partially offset by approximately $1.0 million of incremental leap day revenue in the first quarter of 2020 and improvements in service mix.

Net operating income from the home health care operations was $4.3 million for the first quarter of 2020 as compared to $7.8 million for the first quarter of 2019, a decrease of $3.5 million or 45.2%, with an NOI margin of 4.8% and 8.6%, respectively. Higher back-office operating costs, due to a combination of increased staff and increased workload in connection with the impact of COVID-19, and lower business volumes contributed to the decline in net operating income (refer to the discussion under “Significant Events – Impact of COVID-19 Pandemic”).

OTHER CANADIAN OPERATIONS

Revenue from other Canadian operations increased by $0.6 million or 9.6% to $6.4 million, largely due to the increase in group purchasing clients.

Net operating income from other Canadian operations increased by $0.5 million to $3.9 million for the first quarter of 2020, due to revenue growth from an increase in clients, partially offset by increased operating expenses.

ADJUSTED FUNDS FROM OPERATIONS

The following provides a reconciliation of "net earnings" to FFO and AFFO. A reconciliation of "net cash from operating activities" to AFFO is also provided under "Reconciliation of Net Cash from Operating Activities to AFFO".

	Three months ended March 31		
(thousands of dollars unless otherwise noted)	**2020**	**2019**	**Change**
Net earnings	**5,906**	2,958	2,948
Add (Deduct):			
Depreciation and amortization	**9,853**	9,427	426
Depreciation for FFEC (maintenance capex) (1)	**(1,840)**	(1,641)	(199)
Depreciation for office leases (2)	**(624)**	(673)	49
Other expense (continuing operations)	**–**	1,429	(1,429)
Other income (discontinued operations)	**(4,035)**	(1,901)	(2,134)
Foreign exchange and fair value adjustments	**1,395**	329	1,066
Current income tax expense (recovery) on other expense, foreign exchange and fair value adjustments (3)	**10**	53	(43)
Deferred income tax recovery	**(1,717)**	(825)	(892)
FFO	**8,948**	9,156	(208)
Amortization of deferred financing costs	**442**	385	57
Accretion costs	**304**	536	(232)
Non-cash share-based compensation	**174**	219	(45)
Principal portion of government capital funding	**1,447**	1,372	75
Amounts offset through investments held for self-insured liabilities (4)	**231**	222	9
Additional maintenance capex (1)	**84**	725	(641)
AFFO	**11,630**	12,615	(985)
Per Basic Share *($)*			
FFO	**0.100**	0.103	(0.003)
AFFO	**0.130**	0.142	(0.012)
Per Diluted Share *($)*			
FFO	**0.100**	0.103	(0.003)
AFFO	**0.127**	0.138	(0.011)
Dividends *($)*			
Declared	**10,731**	**10,634**	97
Declared per share *($)*	**0.120**	0.120	–
Weighted Average Number of Shares *(thousands)*			
Basic	**89,644**	88,825	
Diluted	**100,023**	99,186	
Current income tax expense included in FFO	**2,073**	1,528	545
Total maintenance capex (1)	**1,756**	916	840

(1) The aggregate of the items "depreciation for FFEC" and "additional maintenance capex" represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(2) Represents depreciation related to office leases under IFRS 16.

(3) Represents current income tax with respect to items that are excluded from the computation of FFO and AFFO, such as foreign exchange and fair value adjustments, and other expense.

(4) Represents AFFO of the Captive that decreases/(increases) the Captive's investments held for self-insured liabilities not impacting the Company's reported cash and cash equivalents.

AFFO 2020 Financial Review

For the first quarter of 2020, AFFO declined by $1.0 million, or 7.8%, to $11.6 million ($0.130 per basic share) from $12.6 million ($0.142 per basic share) for the first quarter of 2019, impacted by an increase in maintenance capex of $0.8 million and current taxes of $0.5 million, partially offset by an improvement in Adjusted EBITDA.

Compared to AFFO of $11.6 million for the first quarter of 2020, dividends declared of $10.7 million represented a payout ratio of 92%, as compared to a payout ratio of 84% for the first quarter of 2019.

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under "2020 First Quarter Financial Review".

The effective tax rate on FFO was 18.8% for the first quarter of 2020 as compared to 14.3% for the first quarter of 2019. The Company's current income taxes for the first quarter of 2019 benefitted from favourable timing differences and the utilization of tax losses. With respect to the effective tax rate in 2020, the impacts of COVID-19 on the Company's financial results are difficult to predict. In particular, lower volumes and increased back-office costs in ParaMed as a result of COVID-19 will have an impact on that legal entity's level of taxable income and resulting effective tax rate on the Company's FFO. The determination of FFO includes a deduction for current income tax expense and does not include deferred income tax expense. As a result, the effective tax rates on FFO can be impacted by: adjustments to estimates of annual deferred timing differences, particularly when dealing with cash-based tax items versus accounting accruals; changes in the proportion of earnings between taxable and non-taxable entities; book-to-file adjustments for prior year filings; and the ability to utilize loss carryforwards.

Maintenance capex was $1.8 million for the first quarter of 2020 as compared to $0.9 million for the first quarter of 2019 and to $6.0 million for the fourth quarter of 2019, representing 0.6%, 0.3% and 2.1% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. In 2020, the Company expects to spend in the range of $11 million to $13 million in maintenance capex, as compared to $12.3 million in 2019.

Reconciliation of Net Cash from Operating Activities to AFFO

The following provides a reconciliation of "net cash from operating activities" to AFFO.

	Three months ended March 31	
(thousands of dollars)	**2020**	**2019**
Net cash from operating activities	**18,809**	12,512
Add (Deduct):		
Net change in operating assets and liabilities, including interest, taxes and payments for U.S. self-insured liabilities	**(6,486)**	45
Current income tax on items excluded from AFFO (1)	**10**	53
Depreciation for office leases (2)	**(624)**	(673)
Depreciation for FFEC (maintenance capex) (3)	**(1,840)**	(1,641)
Additional maintenance capex (3)	**84**	725
Principal portion of government capital funding	**1,446**	1,372
Amounts offset through investments held for self-insured liabilities (4)	**231**	222
AFFO	**11,630**	12,615

(1) Represents current income tax with respect to items that are excluded from the computation of AFFO, such as foreign exchange and fair value adjustments, and other expense.

(2) Represents depreciation recognized on adoption of IFRS 16 related to office leases.

(3) The aggregate of the items "depreciation for FFEC" and "additional maintenance capex" represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(4) Represents AFFO of the Captive that decreases/(increases) its investments held for self-insured liabilities not impacting the Company's reported cash and cash equivalents.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations for 2020 and 2019.

	Three months ended March 31, 2020			Three months ended March 31, 2019		
(thousands of dollars unless otherwise noted)	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Net cash from (used in) operating activities	**18,848**	**(39)**	**18,809**	21,406	(8,894)	12,512
Net cash from (used in) investing activities	**5,632**	**39**	**5,671**	(4,296)	8,894	4,598
Net cash used in financing activities	**(13,490)**	**–**	**(13,490)**	(12,066)	–	(12,066)
Foreign exchange gain (loss) on U.S. cash held	**382**	**–**	**382**	(437)	–	(437)
Increase in cash and cash equivalents	**11,372**	**–**	**11,372**	4,607	–	4,607
Cash and cash equivalents at beginning of year	**94,457**	**–**	**94,457**	65,893	–	65,893
Cash and cash equivalents at end of period	**105,829**	**–**	**105,829**	70,500	–	70,500

As at March 31, 2020, the Company had cash and cash equivalents on hand of $105.8 million, reflecting an increase in cash of $11.4 million from the beginning of the year. Cash flow generated from operating activities of the continuing operations of $18.8 million was in excess of cash dividends paid of $9.3 million.

Net cash from operating activities of the continuing operations was a source of cash of $18.8 million in the first quarter of 2020, down $2.6 million or 11.9% as compared to a source of cash of $21.4 million in the first quarter of 2019. The decline in cash between periods was primarily due to an unfavourable net change in working capital between periods.

Net cash from investing activities of the continuing operations was a source of cash of $5.6 million in the first quarter of 2020 as compared to a use of cash of $4.3 million in the first quarter of 2019. The 2020 activity included the repatriation of $9.9 million (US$7.0 million) from the Captive and collection of other assets, offset by purchases of property, equipment and other intangible assets of $5.4 million. The 2019 activity included purchases of property, equipment and other intangible assets of $6.0 million, partially offset by the collection of other assets. The table that follows summarizes the capital expenditures. Growth capex relates to the construction of new beds, building improvements or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the actual capital expenditures incurred to sustain and upgrade existing property and equipment. Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure.

	Three months ended March 31	
(thousands of dollars)	**2020**	**2019**
Growth capex	**3,670**	5,336
Deduct: capitalized interest	**–**	(214)
Growth capex, excluding capitalized interest	**3,670**	5,122
Maintenance capex	**1,756**	916
	5,426	6,038

Net cash from financing activities of the continuing operations was a use of cash of $13.5 million for the first quarter of 2020, up $1.4 million, as compared to a use of cash of $12.1 million for the first quarter of 2019. The 2020 activity included debt repayments of $6.6 million and cash dividends paid of $9.3 million, partially offset by draws on construction financing of $2.7 million. The 2019 activity included debt repayments of $7.7 million, cash dividends paid of $9.4 million, partially offset by draws on construction financing of $5.2 million.

Discontinued operations reflect the payment of claims for U.S. self-insured liabilities as a component of net cash from operating activities, which payments are funded by the Captive's investments held for self-insured liabilities. Changes in the Captive's investments are reported as a component of net cash from investing activities, as those invested funds are not included in cash and cash equivalents.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at March 31, 2020, was $112.2 million as compared to $115.4 million at December 31, 2019. The decline was primarily attributable to dividends declared of $10.7 million, partially offset by contributions from net earnings and dividend reinvestments pursuant to the DRIP.

As at March 31, 2020, the Company had 89.5 million Common Shares issued and outstanding (carrying value – $500.1 million) as compared to 89.2 million Common Shares (carrying value – $498.1 million) as at December 31, 2019. The increase in Common Shares was attributable to dividend reinvestments pursuant to the DRIP (187,658 Common Shares) and 46,128 Common Shares issued under the Company's equity-based compensation plan. Subsequent to March 31, 2020, 44,155 Common Shares were issued pursuant to the DRIP.

Share Information *(thousands)*	**May 13, 2020**	**March 31, 2020**	**December 31, 2019**
Common Shares (TSX symbol: EXE) [(1)]	**89,510.5**	**89,466.3**	89,232.5

(1) Closing market value per the TSX on May 13, 2020, was $5.42.

As at May 13, 2020, the Company had $126.5 million in aggregate principal amount of convertible subordinate debentures outstanding that mature in April 2025 (the "2025 Debentures"), which in the aggregate are convertible into 10,326,531 Common Shares.

DIVIDENDS

The Company declared cash dividends of $0.12 per share in the first quarter of 2020, consistent with that declared in the same 2019 period, representing dividends declared of $10.7 million and $10.6 million in each period respectively. During the first quarter of 2020, pursuant to the DRIP, the Company issued Common Shares at a value of $1.4 million as compared with $1.3 million in the same prior year period. In March 2020, the Company announced the suspension of the DRIP effective in respect of any future dividends declared (refer to "Significant Events – Dividend Reinvestment Plan").

NORMAL COURSE ISSUER BID (NCIB)

In January 2020, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 8,000,000 Common Shares (representing approximately 10% of its public float) through the facilities of the TSX, and through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on January 15, 2020, and provides the Company with flexibility to purchase Common Shares for cancellation until January 14, 2021, or on such earlier date as the NCIB is complete. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at the Company's discretion. Subject to the TSX's block purchase exception, on any trading day, purchases under the NCIB will not exceed 42,703 Common Shares. As at May 14, 2020, the Company has not acquired any Common Shares under its NCIB.

Long-term Debt

Long-term debt totalled $554.4 million as at March 31, 2020, as compared to $556.3 million as at December 31, 2019, representing a decrease of $1.9 million, due to debt repayments of $6.6 million, partially offset by draws on construction loans of $2.7 million and an increase in lease liabilities. The current portion of long-term debt as at March 31, 2020, was $116.1 million and included $64.3 million drawn on demand construction loans. The Company intends to fund repayments of construction loans from proceeds of permanent mortgage financing upon occupancy stabilization, as was the case with $25.8 million that was refinanced in April 2020 (refer to "Significant Events – Financing Activity". The Company is subject to debt service coverage covenants on certain of its loans and was in compliance with all of these covenants as at March 31, 2020. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 6* of the unaudited interim condensed consolidated financial statements.

CREDIT FACILITIES

The Company has two demand credit facilities totalling $112.3 million, one of which is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at March 31, 2020, $38.1 million of the facilities secure the Company's defined benefit pension plan obligations and $5.5 million was issued in connection with obligations relating to long-term care homes and retirement communities, leaving $68.7 million unutilized.

LONG-TERM DEBT KEY METRICS

Management has limited the amount of debt that may be subject to changes in interest rates, with all of the debt currently at fixed rates, other than the construction loans of $67.3 million. The Company's variable-rate mortgages and term loan, aggregating $81.3 million as at March 31, 2020, have effectively been converted to fixed rate financings with interest rate swaps over the full term. As at March 31, 2020, the net carrying value of the interest rate swaps was a liability of $2.4 million.

The following summarizes key metrics of consolidated long-term debt as at March 31, 2020, and December 31, 2019.

(thousands of dollars unless otherwise noted)	**March 31, 2020**	**December 31, 2019**
Weighted average interest rate of long-term debt outstanding	**4.6%**	4.7%
Weighted average term to maturity of long-term debt outstanding	**6.6 yrs**	6.7 yrs
Trailing twelve months consolidated net interest coverage ratio(1)	**3.6 X**	3.5 X
Trailing twelve months consolidated interest coverage ratio(2)	**3.1 X**	3.1 X
Debt to Gross Book Value (GBV)		
Total assets (carrying value)	**874,047**	888,800
Accumulated depreciation on property and equipment	**251,305**	251,403
Accumulated amortization on other intangible assets	**25,779**	23,951
GBV	**1,151,131**	1,164,154
Debt (3)	**567,991**	570,536
Debt to GBV	**49.3%**	49.0%

(1) Net interest coverage ratio is defined as Adjusted EBITDA divided by net interest (interest expense before reduction of capitalized interest, net of interest revenue).

(2) Interest coverage ratio is defined as Adjusted EBITDA divided by interest expense before reduction of capitalized interest.

(3) Debt includes convertible debentures at face value of $126.5 million and excludes deferred financing costs.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was $105.8 million as at March 31, 2020, as compared with $94.4 million as at December 31, 2019, representing an increase of $11.4 million. In addition, the Company has access to a further $70.2 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of $2.6 million and $19.8 million (US$14.1 million) of investments held by the Captive to support the accrual for U.S. self-insured liabilities of $8.9 million (US$6.3 million).

As discussed under "Significant Events – Financing Activity", subsequent to March 31, 2020, the Company refinanced the $25.8 million of construction financing on the Douglas Crossing Retirement Community, securing a $47.8 million CMHC-insured mortgage for a term of 10 years. Also, subsequent to March 31, 2020, the Company closed $10.3 million in mortgages on two Saskatchewan retirement communities. During the first quarter of 2020, the Company extended maturing mortgages of $21.7 million on certain long-term care homes in Manitoba. As a result of these financing activities, the only scheduled debt maturities the Company has remaining for the balance of 2020, are $23.0 million of CMHC mortgages maturing in the fourth quarter.

Management believes that cash from operating activities and future debt financings will be sufficiently available to support the Company's ongoing business operations, maintenance capex and debt repayment obligations. Growth through redevelopment of the LTC homes over the next few years, strategic acquisitions and developments will necessitate the raising of funds through debt and equity financings. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time. However, given COVID-19's potential impact on the Company's financial performance and operations, as well as on the economy such that capital and credit markets and industry sentiment are adversely affected, it may be more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing credit facilities. In addition, reduced revenue and higher operating costs due to the impact of COVID-19 may result in reductions or early prepayments of existing financings if covenants contained therein are unable to be met (refer to "Risks and Uncertainties").

OTHER CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

There were no material changes to the Company's other contractual obligations and contingences, which are detailed in the Company's 2019 Annual Report.

Legal Proceedings, Claims and Regulatory Actions

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company. The potential outcome of legal proceedings and claims is uncertain and could have a materially adverse impact on the Company's business, results of operations and financial condition (refer to "Risks and Uncertainties").

DISCONTINUED OPERATIONS

Earnings from Discontinued Operations

Earnings from discontinued operations relate to the former U.S. operations and were $4.0 million for the first quarter of 2020 as compared to $1.9 million for the same prior year period, both of which related to a release of the Captive's reserves.

Accrual for U.S. Self-insured Liabilities

The obligation to settle U.S. self-insured general and professional liability claims relating to the period prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with the Company, which continues to be funded through the Captive. Consequently, the balance of the accrual for self-insured liabilities and the related investments held for self-insured liabilities remain on the consolidated statement of financial position. However, any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations, while the Captive's costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

Management regularly evaluates and semi-annually engages an independent third-party actuary to determine the appropriateness of the carrying value of this liability. The most recent independent actuarial review was conducted at the end of 2019, which confirmed the adequacy of the Company's reserves.

As at March 31, 2020, the accrual for U.S. self-insured general and professional liabilities was $8.9 million (US$6.3 million) as compared to $12.2 million (US$9.4 million) at the beginning of the year. The decline of US$3.1 million was attributable to a release of reserves of US$3.0 million and to claims payments.

Most of the risks that the Company self-insures are long-term in nature, and accordingly, claim payments for any particular policy year can occur over a number of years. However, management estimates and allocates a current portion of the accrual for self-insured liabilities on the statement of financial position. As at March 31, 2020, management estimated that approximately $5.4 million of the accrual for U.S. self-insured general and professional liabilities will be paid within the next twelve months. As the timing of payments is not directly within management's control, estimates could change in the future. Management is considering accelerating the settlement and wind-up of the Captive in order to eliminate or reduce the self-insured general and professional liabilities and thereby repatriate the balance of the investments in the Captive.

The Captive holds investments sufficient to support the accrual for self-insured liabilities and to meet required statutory solvency and liquidity ratios. These invested funds are reported in other assets and totalled $19.8 million (US$14.1 million) as at March 31, 2020, as compared to $27.6 million (US$21.2 million) at the beginning of the year. During the first quarter of 2020, the Captive transferred $9.9 million (US$7.0 million) of cash previously held for investment to the Company for general corporate use. Management believes there are sufficient invested funds held to meet estimated current claims payment obligations.

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

A full discussion of the Company's critical accounting policies and estimates was provided in the MD&A and the accompanying notes to the audited consolidated financial statements for the year ended December 31, 2019, contained in the Company's 2019 Annual Report. The disclosures in such report have not materially changed since that report was filed, with the exception of the new accounting policies adopted as described below under "New Accounting Policies Adopted", and to the extent there have been any changes in management's estimates, they are discussed under "Significant Events".

New Accounting Policies Adopted

The following new standard was adopted effective January 1, 2020, and has been applied in preparing the financial results for the three months ended March 31, 2020, the nature and effect of which is provided in *Note 2* of the unaudited interim condensed consolidated financial statements, and described below:

DEFINITION OF A BUSINESS

Beginning on January 1, 2020, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

NON-GAAP MEASURES

The Company assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "net operating income margin", "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "earnings before depreciation, amortization, and other expense", "earnings (loss) from continuing operations before separately reported items, net of taxes", "Funds from Operations" and "Adjusted Funds from Operations". These measures are commonly used by the Company and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by the Company on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure "NOI Yield". These measures are not recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure for users of the Company's financial statements to assess the Company's operating performance and ability to pay cash dividends; or (ii) certain ongoing rights and obligations of the Company may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers, and accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP.

References to "net operating income", or "NOI", in this document are to revenue less operating expenses, and this value represents the underlying performance of the operating business segments. References to "net operating income margin" are to net operating income as a percentage of revenue.

References to "EBITDA" in this document are to earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization. References to "Adjusted EBITDA" in this document are to EBITDA adjusted to exclude the line item "other expense", and as a result, is equivalent to the line item "earnings before depreciation, amortization, and other expense" reported on the consolidated statements of earnings. References to "Adjusted EBITDA Margin" are to Adjusted EBITDA as a percentage of revenue. Management believes that certain lenders, investors and analysts use EBITDA, Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and meet other payment obligations, and as a common valuation measurement.

References to "earnings (loss) from continuing operations before separately reported items, net of tax" in this document are to earnings (loss) from continuing operations, excluding the following separately reported line items: "foreign exchange and fair value adjustments" and "other expense". These line items are reported separately and excluded from certain performance measures, because they are transitional in nature and would otherwise distort historical trends. They relate to the change in the fair value of or gains and losses on termination of convertible debentures and interest rate agreements, as well as gains or losses on the disposal or impairment of assets and investments, and foreign exchange gains or losses on capital items. In addition, these line items may include acquisition related costs, restructuring charges, proxy related costs and the write-off of unamortized deferred financing costs on early retirement of debt. The above separately reported line items are reported on a pre-tax and on an after-tax basis as a means of deriving earnings (loss) from operations and related earnings per share excluding such items.

"Funds from Operations", or "FFO", is defined as Adjusted EBITDA less depreciation for furniture, fixtures, equipment and computers, or "depreciation for FFEC", depreciation for office leases, accretion costs, net interest expense and current income taxes. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining "Funds from Operations", as the depreciation term is generally in line with the life of these assets. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/operate income-producing properties. Management believes that certain investors and analysts use FFO, and as such has included FFO to assist with their understanding of the Company's operating results.

"Adjusted Funds from Operations", or "AFFO", is defined as FFO plus: i) the reversal of non-cash deferred financing and accretion costs; ii) the reversal of non-cash share-based compensation; iii) the principal portion of government capital funding; iv) amounts received from income support arrangements; and v) the reversal of income or loss of the captive insurance company that was included in the determination of FFO, as those operations are funded through investments held for U.S. self-insured liabilities, which are not included in the Company's reported cash and cash equivalents. In addition, AFFO is further adjusted to account for the difference in total maintenance capex incurred from the amount deducted in the determination of FFO. Since the Company's actual maintenance capex spending fluctuates on a quarterly basis with the timing of projects and seasonality, the adjustment to AFFO for these expenditures from the amount of depreciation for FFEC already deducted in determining FFO, may result in an increase to AFFO in the interim periods reported. Management believes that AFFO is a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion, that are not representative of the Company's operating performance.

References to "payout ratio" in this document are to the ratio of dividends declared per share to AFFO per basic share.

References to "NOI Yield" in this document are to a financial measure used by the Company to assess its return on investment in development activities. NOI Yield is defined by the Company as the estimated stabilized NOI of a development property in the first year it achieves expected stabilized occupancy divided by the estimated Adjusted Development Costs, as defined below. Management believes that this is a relevant measure of the Company's total economic return of a development project.

"Adjusted Development Costs" is defined as development costs on a GAAP basis (which includes the cost of land, hard and soft development costs, furniture, fixtures and equipment) plus/minus cumulative net operating losses/earnings generated by the development property prior to achieving expected stabilized occupancy, plus an estimated imputed cost of capital during the development period through to the expected stabilized occupancy.

Reconciliations of "earnings (loss) from continuing operations before income taxes" to "Adjusted EBITDA" and "net operating income" are provided under "Select Quarterly Financial Information" and "2020 First Quarter Financial Review".

Reconciliations of "earnings from continuing operations" to "FFO" and "AFFO" are provided under "Adjusted Funds from Operations".

Reconciliations of "net cash from operating activities" to "AFFO" are provided under "Adjusted Funds from Operations – Reconciliation of Net Cash from Operating Activities to AFFO".

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in securities and activities of the Company, which investors should carefully consider before investing in the Company. Risks and uncertainties are disclosed in the Company's 2019 Annual Information Form, including without limitation, "Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19", "Risks Related to Liability and Insurance" and "Risks Related to Government Funding and Regulatory Changes" found under the section "Risk Factors – Risks Related to the Business". To the extent there have been any changes to those risks or uncertainties as of the date of this MD&A, they are discussed under "Forward-looking Statements" and "Significant Events".